

## Message Text

LIMITED OFFICIAL USE

PAGE 01 CARACA 02333 01 OF 02 110059Z  
ACTION ARA-14

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01  
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15  
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00  
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 OES-07 SOE-02  
DOE-11 INT-05 MCT-01 STR-07 CEA-01 DLDS-09 HA-05  
/150 W

-----063186 110236Z/20

R 101848Z MAR 78  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC 1513  
INFO AMEMBASSY BOGOTA  
AMEMBASSY BONN  
AMEMBASSY BRASILA  
USINT HAVANA  
AMEMBASSY VIENNA  
USCINCLANT NORFOLK VA  
USCINCSO QUARRY HEIGHTS

LIMITED OFFICIAL USE SECTION 1 OF 2 CARACAS 2333

E.O. 11652: N/A  
TAGS: EFIN, ENRG, EINV, PGOV, SHUM, ETRD, PINT, PINS, ASEC, VE  
SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 2084 (NOTAL)

SUMMARY: NEWS MAGAZINE DIRECTOR'S ACTIONS STIR A POLITICAL RUCKUS THAT MAKES THE GOV LOOK BAD. DOLLAR DECLINE IMPACTS ADVERSELY ON VENEZUELA'S RESERVES. OIL PRODUCTION CONTINUES TO CLIMB. GOV EASES RESTRICTIONS ON FOREIGN CREDITS FOR CONSTRUCTION INDUSTRY. VENEZUELA OBTAINS LOAN FROM WEST GERMANY. ANTI-CASTRO CUBAN EXILE ORLAND BOSCH ENDS HUNGER STRIKE. TWO AMERICANS AMONG 47 KILLED IN AIRLINE CRASH. PRESIDENT PEREZ DELIVERS STATE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CARACA 02333 01 OF 02 110059Z

OF NATIONA ADDRESS MARCH 10. END SUMMARY.

1. THE OLAVARRIA CASE - THE GOV ENDS UP HOLDING THE BAG.  
IN MID- 1977, JORGE OLAVARRIA, DIRECTOR OF VENEZUELA'S LEADING NEWSWEEKLY, "RESUMEN" BEGAN A SERIES OF SCATHING AND AD-HOMINEM ARTICLES BELITTLING THE ANTI-INFLATION MEASURES DESIGNED BY SECRETARY GENERAL OF THE PRESIDENCY, CARMELO

LAURIA, CONFIDANT AND FAVORITE OF PRESIDENT PEREZ. IN DECEMBER, TAKING ADVANTAGE OF A PROPERTY SETTLEMENT SUIT FILED BY OLAVARRIA'S FORMER WIFE, THE GOV APPARENTLY DECIDED TO GET BACK AT OLAVARRIA. A LEADING NUMBER OF AD POLITICANS TESTIFIED IN HER FAVOR. (SEE 77 CARACAS 12405). OVERNIGHT ANTI-OLAVARRIA GRAFFITI APPEARED ON CARACAS WALLS, AND IT SOON BECAME PUBLIC THAT THEY WERE PUT UP BY PEOPLE CONNECTED WITH THE INFORMATION MINISTRY. UNDER CUSTOMARY VENEZUELAN LEGAL PROCEDURES, OLAVARRIA WAS JAILED, AND IN FEBRUARY RELEASED ON BOND.

2. LAST WEEK, A JUDGE ISSUED A NEW ARREST ORDER FOR DEFAMATION OF CHARACTER OF AN INFORMATION MINISTER OFFICIAL OLAVARRIA CLAIMED WAS RESPONSIBLE FOR PLACING HIDDEN MICROPHONES IN HIS JAIL CELL. OLAVARRIA RETALIATED WITH CHARGES OF HARRESSMENT, POLITICAL PERSECUTION, AND NOTED THAT THE GOV WAS TRYING TO RUIN HIS PUBLICATION BY WITHDRAWING GOVERNMENT ADVERTISING. HE REFUSED TO TURN HIMSELF IN, WENT INTO HIDING, AND HIS OWN MAGAZINE SPECULATED THAT HE MIGHT SEEK ASYLUM, POSSIBLY IN THE BRAZILIAN EMBASSY.

3. BY MID-WEEK, THIS "AFFAIRE" HAD TAKEN ON INTERNATIONAL IMPLICATIONS AS THE INTER-AMERICAN PRESS ASSOCIATION SENT A CABLE TO PRESIDENT PEREZ STATING THE CASE HAS SERIOUS POLITICAL IMPLICATIONS. IN RESPONSE, BOTH THE JUSTICE AND INFORMATION MINISTRIES RESPONDED PUBLICLY, DENYING ANY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 CARACA 02333 01 OF 02 110059Z

POLITICAL MOTIVATION TO THE CASE AND JUSTIFIYING THE GOV'S ACTIONS.

4. COMMENT: IN ADDITION TO HIS ATTACKS AGAINST LAURIA, OLAVARRIA HAS ALSO TAKEN SOME OUT-OF-BOUNDS SWIPTES AT THE PERSONAL LIFE OF PRESIDENT PEREZ, WHICH HAVE CLEARLY ANGERED THE PRESIDENT. APPARENTLY, INFORMATION MINISTER DIEGO ARRIA (SEE SEPTEL) WAS INSTRUCTED TO PRESSURE OLAVARRIA, BUT BUNGLED THE JOB BY DOING IT IN AN OBVIOUS AND HAM-HANDED MANNER. BRIGHT, INTENSE, AND FANATICALLY SINGLE-MINDED, OLAVARRIA HAS A KEEN SENSE OF PUBLICITY. THROUGH ITS HEAVY HANDEDNESS, THE GOV NOW APPEARS AS THE "NEAVY," WHILE THE OBSESSED OLAVARRIA BEGINS TO LOOK MORE AND MORE THE MARTHR, WHATEVER THE MERITS OF THE CASE.

5. DOLLAR DECLINE IMPACTS ADVERSELY ON VENEZUELA'S RESERVES ZUENEZULA IS BECOMING INCREASINGLY CONCERNED ABOUT THE DECLINE IN THE VALUE OF THE DOLLAR AGAINST CERTAIN OTHER MAJOR CURRENCIES. DOLLAR ASSETS CONSTITUTE ABOUT 50 PERCENT OF THE CENTRAL BANK'S FOREIGN EXCHANGE RESERVES. ONE CENTRAL BANK SOURCE TOLD AN EMBOFF THAT, ON A TRADE-WEIGHTED BASIS, THE GOV ESTIMATES THAT THE VALUE OF VENEZUELA'S

FOREIGN EXCHANGE RESERVES HAS DECLINED 5-6 PERCENT DURING THE PAST EIGHT MONTHS. ACCORDING TO CENTRAL BANK PRESIDENT LOSADA, 19 PERCENT OF VENEZUELA'S IMPORTS COME FROM WEST GERMANY AND JAPAN, TWO COUNTRIES WHOSE CURRENCIES HAVE APPRECIATED SIGNIFICANTLY AGAINST THE DOLLAR. TO AVOID FURTHER EROSION OF THE PURCHASING POWER OF THE COUNTRY'S FOREIGN EXCHANGE RESERVES, LOSADA ANNOUNCED THAT THE BANK PLANNED TO PARTIALLY DIVERSIFY ITS HOLDINGS OUT OF DOLLARS AND INTO OTHER CURRIENCES.

6. OIL PRODUCTION EDGES UPWARD  
FOR THE THIRD WEEK IN A ROW, OIL PRODUCTION INCHED UPWARD FROM THE VERY LOW LEVELS RECORDED IN EARLY FEBRUARY. THE AVERAGE RATE FOR THE YEAR TO DATE REMAINS AT ABOUT 1.7  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 CARACA 02333 01 OF 02 110059Z

MILLION BARRELS PER DAY, 25 PERCENT BELOW THE 1977 LEVEL. MEANWHILE, HOWEVER, THE ALL-IMPORTANT EXPORTS HAVE JUMPED SUBSTANTIALLY TO MEET UNEXPECTED DEMAND FROM THE US FOR RESIDUAL FUEL OIL, VENEZUELA'S PRINCIPAL OIL PRODUCT EXPORT. THIS IS LARGELY THE RESULT OF STOCKPILING BY US BUYERS IN THE FACT OF THE CONTINUING UNCERTAINTY ABOUT THE COAL STRIKE. THE OIL INDUSTRY IN VENEZUELA HAS LONG HAD A REPUTATION FOR BEING SAVED FROM IMPENDING DISASTER IN THE NICK OF TIME, PROOF SOME SAY, OF THE LOCAL ADAGE THAT "GOD IS A VENEZUELAN," AND THE LATEST TURN OF EVENTS SEEMS TO FIT THIS PATTERN.

7. GOVERNMENT EASES RESTRICTIONS ON FOREIGN CREDITS FOR CONSTRUCTION INDUSTRY

FINANCE MINISTER SILVA LUONGO HAS ANNOUNCED THAT THE GOV WILL EASE RESTRICTIONS ON FOREIGN CREDITS TO FINANCE CON-

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 CARACA 02333 02 OF 02 110140Z  
ACTION ARA-14

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01  
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15  
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 OES-07 DOE-11  
SOE-02 INT-05 MCT-01 DOTE-00 HA-05 STR-07 CEA-01  
DLOS-09 /150 W

-----064276 110235Z /20

R 101848Z MAR 78

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 1514

INFO AMEMBASSY BOGOTA

AMEMBASSY BONN

AMEMBASSY BRASILA

USINT HAVANA

AMEMBASSY VIENNA

USCINCLANT NORFOLK VA

USCINCSO QUARRY HEIGHTS

LIMITED OFFICIAL USE SECTION 2 OF 2 CARACAS 2333

STRUCTION IN VENEZUELA. HE ADMITTED THAT LOCAL FINANCIAL INSTITUTIONS DO NOT HAVE THE RESOURCES TO MEET THE GROWING DEMAND FOR MORTAGES AND OTHER CREDITS TO FINANCE CONSTRUCTION OF HOUSING AND COMMERCIAL PROJECTS. RESTRICTIONS IMPOSED LAST JULY SOUGHT TO LIMIT FOREIGN CREDITS FOR THE CONSTRUCTION INDUSTRY TO HELP COMBAT INFLATION AND SPECULATION IN REAL ESTATE. THE DECISION SHOULD GIVE QUICK RELIEF TO AN INDUSTRY REPORTEDLY VERY SHORT OF FINANCING.

ACCORDING TO SUPERINTENDENT OF FOREIGN INVESTMENT SOTO ALVAREZ, FOREIGN CREDITS TO THE CONSTRUCTION INDUSTRY IN 1977 TOTALED BS. 2,446 MILLION, OR ABOUT 31 PERCENT OF TOTAL CREDIT FROM ALL COURSES. CREDITS OF THIS TYPE ARE ALSO A HANDY SOURCE OF FOREIGN EXCHANGE FOR A GOVERNMENT EXPERIENCING GROWING BALANCE OF PAYMENTS PROBLEMS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 CARACA 02333 02 OF 02 110140Z

8. VENEZUELA BORROWS DM 750 MILLION (\$375 MILLION) IN WEST GERMANY

ON MARCH 6 VENEZUELAN FINANCE MINISTER SILVA LUONGO SIGNED AGREEMENTS WITH A WEST GERMAN BANKING CONSORTIUM PROVIDING FOR A LOAN OF DM 500 MILLION (\$250 MILLION AT CURRENT RATES) AND THE SALE OF DM 250 MILLION (\$125 MILLION) IN BONDS. THE LOAN, OFFERED BY A 14-BANK CONSORTIUM HEADED BY WESTDEUTSCHE LANDESBAHN, IS FOR TEN YEARS WITH A FIXED RATE OF INTEREST OF 6.75 PERCENT. REPAYMENT IS TO BEGIN IN 1982. THE BONDS MATURE IN TEN YEARS AND BEAR A 6 PERCENT INTEREST RATE. SO FAR THIS YEAR THE GOV HAS BORROWED ALMOST \$1.8 BILLION ABROAD. WE ESTIMATE THAT TOTAL INTERNATIONAL BORROWINGS DURING 1978 WILL EXCEED \$3 BILLION.

9. ORLANDO BOSCH ENDS HUNGER STRIKE

ACCORDING TO PRESS REPORTS, ANTI-CASTRO CUBAN EXILE, ORLANDO BOSCH, ENDED A 25-DAY HUNGER STRIKE FEBRUARY 28. BOSCH, JAILED BY VENEZUELAN AUTHORITIES IN CONNECTION WITH THE OCTOBER 1976 CUBANA AIRLINE BOMBING, INITIATED THE STRIKE TO PROTEST WHAT HE BELIEVED WERE IRREGULARITIES IN THE PROCESSING OF HIS CASE, AND THE SLOW PACE OF THE VENEZUELAN JUDICIAL SYSTEM. A NOTE ALLEGEDLY WRITTEN BY BOSCH STATED HE WAS GIVING UP THE HUNGER STRIKE BECAUSE OF THE "UNDERSTANDING AND COMPREHENSION SHOWN BY THE COURT" FOR SPEEDING UP HIS TRIAL. HE IS REPORTEDLY VERY WEAK AND IN POOR HEALTH.

10. AEROPOSTAL CRASH KILLS 47

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 CARACA 02333 02 OF 02 110140Z

ON MARCH 3, A VENEZUELAN COMMERCIAL AIRLINER CRASHED INTO THE CARIBBEAN SHORTLY AFTER TAKEOFF FROM THE CARAS AIRPORT. ALL FORTY-SEVEN PASSENGERS AND CREW ABOARD DIED. CRASH VICTIMS INCLUDED TWO US CITIZENS, MARISELA PODLINSKI AND HER COUSIN, MILDRED URBANEJA. THE AIRCRAFT AND A NUMBER OF BODIES HAVE YET TO BE RECOVERED, AND THE GOV HAS REQUESTED US ASSISTANCE.

11. PRESIDENT PEREZ WILL DELIVER HIS ANNUAL STATE OF THE NATION ADDRESS TO CONGRESS MARCH 10. HE IS EXPECTED TO FOCUS LARGEY ON DOMESTIC ISSUES. (SEE SEPTEL).

12. OTHER REPORTING THIS WEEK INCLUDED THE AIRPORT SCENARIO FOR THE PRESIDENTIAL TRIP (CARACAS 2196), US BUSINESSMAN TRAVEL (CARACAS 2225), 1978 INTERNATIONAL DISASTER PREPAREDNESS SEMINAR (CARACAS 2323), VENEZUELA IN MULTILATERAL TRADE NEGOTIATIONS (CARACAS 2043), POSSIBLE IMPORT OF CUBAN PETROLEUM PRODUCTS INTO THE US (CARACAS 2041), GOV TAKES DECISION TO LIMIT IMPORTS (CARACAS 2042), OIL PRODUCTION AND EXPORTS LOOKING BETTER (CARACAS 2058), A RENEWED INTEREST IN A FISHING AGREEMENT (CARACAS 2064), THE PROPOSED JAPANESE INVESTMENT IN THE ORINOCO HEAVY OIL BELT (CARACAS 2103), AND THE LOSS OF A COMMERCIAL AIRLINER (CARACAS 2250). PRESIDENT PEREZ PREVIEWS THEMES OF UPCOMING STATE OF THE NATION ADDRESS.

VAKY

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLITICAL SUMMARIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978CARACA02333  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780109-0081  
**Format:** TEL  
**From:** CARACAS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780384/aaaacsyp.tel  
**Line Count:** 274  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** e0b2acc9-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 CARACAS 2084  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 25 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3377479  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** THIS WEEK IN VENEZUELA  
**TAGS:** EFIN, ENRG, EINV, PGOV, SHUM, ETRD, PINT, PINS, ASEC, VE  
**To:** STATE  
**Type:** TE  
**vdkvgwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/e0b2acc9-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014